

## **SECTION 2**

### **The Settlement Cycle**

This section contains an overview of the settlement cycle and explains the terminology used in making data entries and calculating pool settlements.

#### **Settlement Intervals**

##### **Data Types**

- Data Month Estimate (*DME*)
- Data Month Adjustment (*DMA*)
- Retroactive Adjustment (*RA*)
- Maximum Period of Retroactivity

##### **Data Entry**

- Data Input
- Edit Checks
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##### **Lock Activities**

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- Reasonableness Reviews
- Overrides
- Residue Ratio
- Rate of Return Factor
- Net Balance

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- Settlement Rate Adjustment
- Total Net Balance

##### **Customer Dividend & New Settlement Rate Development**

- Settlement Rate
- Customer Dividend
- New Settlement Rate

##### **System Reporting**

- Settlement Statements (*EC3070-0*)
- Post Settlement Analysis
- Cash Flow
- Late Payment Penalties

##### **Exhibits**

- Edit Checks
- NECA Settlement Schedule

## **The NECA Settlement Cycle**

### **2.0**

#### **Settlement Intervals**

Each month exchange carriers report revenue and demand data as part of the settlement system's four phase cycle: data entry, lock, processing and reporting. This section summarizes the activities associated with each phase and defines the types of data transactions exchange carriers input to the system.

### **2.1**

#### **Data Types**

Each month participants in the NECA pools submit estimates of their revenues and demand items. As actual data becomes known, companies adjust their data to reflect their actual revenues and demand. For this reason, the common line and traffic sensitive pools operate with a 24 month "open window" in which the exchange carrier can revisit prior months to adjust data. Depending on whether they are reporting current estimated or true-up actual data, exchange carriers can make three types of data entry during a current month settlement cycle: data month estimate, data month adjustment or retroactive adjustment.

#### **2.1.1**

##### **Data Month Estimate (*DME*)**

The data month estimate is the initial data entry an exchange carrier makes to report current month data. In most cases, a DME is an estimate of what the exchange carriers actual data will be for the month. It is used to calculate the current month settlement.

#### **2.1.2**

##### **Data Month Adjustment (*DMA*)**

The data month adjustment is a change to data entered up to three months after the DME. Companies normally use DMAs to true-up their estimates of revenue and demand items.

### 2.1.3

#### **Retroactive Adjustment (RA)**

The retroactive adjustment is used to change data from the fourth through twenty-fourth month after the DME.

### 2.1.4

#### **Maximum Period of Retroactivity**

Companies can input retroactive adjustments for a maximum of 24 prior data months. Reasons for adjustments include:

- discovery of incorrectly reported revenues
- other errors or omissions.

## 2.2

### **Data Entry**

Data is entered during this phase of the settlement cycle from the third workday of the month to the seventh from last workday of the month. Exchange carriers can use the above types of data transactions to enter current month data, or to correct data residing in the system, for up to 24 prior months. During processing, current month's settlements are calculated, and past months' settlements are recalculated to incorporate data changes.

### 2.2.1

#### **Data Input**

On the third workday of the month, the settlement system is opened for input by exchange carrier submitters (*company staff, designated consultants or NECA Regional personnel*).

### 2.2.2

#### **Edit Checks**

As data is input, all lines of the transaction are checked to ensure the transaction meets the prescribed standards (*see Exhibit 2.1 for standards*). If a transaction fails an edit check, further data entry is prohibited until the input error is corrected. Once the transaction passes the edit checks, the data is compared to an expected range.

### **2.2.3**

#### **Range Checks**

A range contains the upper and lower limit each line amount is expected to fall within. When an entry transaction passes the range checks, it can be normal-released into the system. If it fails range check, this does not mean the data is incorrect. It means it differs significantly from the model in the settlement system. Entries that fail the range check can be special-released into the system.

Revenue ranges are generally based on an exchange carrier's prior reported data. NECA may contact exchange carriers to discuss frequent range failures and special releases.

### **2.3**

#### **Lock Activities**

At five p.m. Eastern time on the seventh from last workday of the month, the system is locked and exchange carriers are unable to make any further data entries.

#### **2.3.1**

##### **Default File**

If an exchange carrier does not enter data for a current month by lock time, the system looks to the default file which contains alternate DME data. The alternate DME data in the default file is based on a three month rolling average of exchange carrier data.

The default file also contains Lifeline Assistance entry amounts for qualifying exchange carriers.

#### **2.3.2**

##### **Reasonableness Reviews**

After the system is locked from further data entry, NECA Regional Offices review data to check for significant deviations and potentially questionable data. Reasonableness reviews allow NECA to monitor pool movement and to ensure accurate data.

### 2.3.3

#### Overrides

If Region reviews indicate that an exchange carrier's input is not reasonable in relation to its forecast or historical data and expected results, NECA can override data already locked in. Override transactions may be necessary to:

- release data not previously released by exchange carrier
- correct erroneous data
- remove data that has not been explained satisfactorily
- make "new" data entries.

An override is usually accomplished only with written permission from the exchange carrier. However, the Vice President-Industry Relations has the authority to override data if pool integrity is at risk.

### 2.4

#### Processing

Once lock activities are completed, on the third to last workday of the month, the settlement is processed. NECA uses the entries on the data input form (*EC1070-I*) to calculate pool results and individual company settlements. The following amounts are calculated:

- residue ratio
- rate of return factor
- net balance
- prior period net adjustments
- settlement rate adjustment
- total net balance.

#### 2.4.1

##### Residue Ratio

The residue ratio is the rate of return on investment to pool members. To arrive at the residue ratio for each pool, Average Schedule and Incentive Option settlements, total expenses and taxes are deducted from total revenues. The amount remaining is divided by the total pools investment to calculate the residue ratio. The monthly settlement combines the exchange carrier's expense and tax reimbursement and the residue ratio (*return*) on its share of the pool's investment.

#### 2.4.2

##### Rate of Return Factor

The settlement rate is developed using the authorized rate of return of 11.25%. The EC-specific rate of return factor is used to adjust the exchange carrier's settlement rate to reflect the earnings at the pool rate of return (Residue Ratio). This is done to ensure all pool members share equally in any variances in pool earnings.

### Rate of Return Factor (*cont'd*)

The return factor is equal to the Traffic Sensitive Expense and Taxes factor, plus the product of the Traffic Sensitive Investment factor multiplied by the pool's realized Residue Ratio.

The Expense Factor and Investment Factor equations are developed from Cost Study data, as follows:

$$\text{Expense Factor} = \frac{[\text{EOT} \times (1 - \text{Tax rate}) - (\text{Tax rate} \times \text{FIT Adjustment}) - \text{ITC}]}{[\text{EOT} \times (1 - \text{Tax rate}) - (\text{Tax rate} \times \text{FIT Adjustment}) - \text{ITC} + .1125 \times \text{ANI}]}$$

$$\text{Investment Factor} = \frac{\text{ANI}}{[\text{EOT} \times (1 - \text{Tax rate}) - (\text{Tax rate} \times \text{FIT Adjustment}) - \text{ITC} + .1125 \times \text{ANI}]}$$

$$\text{Return Factor} = (\text{Expense Factor}) + (\text{Investment Factor}) \times \text{Realized Residue Factor}$$

Example:

If Pool Rate of Return is:	Then CL Return Factor for Co. "A" is	Then TS Return Factor for Co. "A" is:
10.50%	0.983594	0.985235
11.25%	1	1
12.50%	1.027343	1.024609

### 2.4.3

#### Net Balance

A net balance is the difference between the settlement due an exchange carrier and the revenue the exchange carrier has reported and is holding. However, before determining the actual cash flow to or from the company for that month, it is necessary to incorporate the effects of data month adjustments and retroactive adjustments.

### 2.4.4

#### Prior Period Net Adjustment (PPNA)

Since exchange carriers can revise their revenue and demand data for the preceding 24 months, DMAs and RAs for prior months affect an exchange carrier's monthly cash flow. Not only is a current month's settlement processed; adjustments are made to prior month's settlements as more accurate data becomes available. The system recalculates total pool amounts, residue ratios and changes in net balances. The prior period net adjustment adds these changes and applies them to the current month's total net balance. PPNA's enable the system to redistribute prior month's settlement dollars as part of the current month cash flow.

## **2.4.5**

### **Settlement Rate Adjustment**

The settlement rate is calculated at the authorized rate of return, using estimates of the EC's historical costs, annual net investment and demand.

At the end of the first year of the two-year settlement period NECA will true-up the settlement rate using actual costs from finalized cost studies, and will calculate a settlement rate adjustment. This adjustment is calculated by taking the difference between the original settlement rate and the trued-up rate, multiplied by the demand for the year. The resulting Settlement Rate Adjustment will then be distributed prospectively, in 12 monthly installments, as part of the current month cash flow. The net of all incentive company settlement rate adjustments will be incorporated into the revenue requirement of NECA's rate calculation for the next tariff period.

## **2.4.6**

### **Total Net Balance**

The total net balance combines the current month's net balance with PPNAs, settlement rate adjustment, profit sharing adjustment and Universal Service and Lifeline Assistance amounts. This determines the exchange carrier cash flow for the month. A "positive" total net balance reflects money NECA will pay to the exchange carrier. A "negative" total net balance reflects money the exchange carrier will pay to NECA.

## **2.5**

### **Customer Dividend & New Settlement Rate Development**

- Settlement Rate
- Customer Dividend
- Settlement Rate Adjustment
- New Settlement Rate

## **2.5.1**

### **Settlement Rate**

The settlement rate for the first two-year period is calculated at the authorized rate of return, using estimates of the EC's prior calendar year historical cost and demand. NECA will adjust the settlement rate to reflect a Customer Dividend which lowers the settlement rate by a predetermined amount (currently .65%). NECA will also adjust the settlement rate to account for the effects of exogenous rule changes. At the end of the first year of the two-year settlement period, NECA will true-up the settlement rate, and calculate a cost study cash flow adjustment using actual costs from finalized cost studies, along with the latest view of demand.

## **2.5.2**

### **New Settlement Rate**

The new settlement rate will be calculated for the second two-year period at the authorized rate of return, using estimates of the EC's historical revenue requirements and demand for the first two-year period. NECA will also adjust the settlement rate to account for the effects of the Customer Dividend and any exogenous rule changes. This settlement rate will also be trued-up at the end of the first year of the second two-year period to reflect actual costs from the finalized cost studies, along with the latest view of demand.

## **2.6**

### **System Reporting**

#### **2.6.1**

##### **Settlement Statements from NECA**

By 10:00 a.m. Eastern time of the third workday following the current data month, exchange carriers can retrieve the following reports directly from their data terminals:

- EC1070-0 - Data Month Estimate Original View
- EC2073-0 - Prior Period Net Adjustment Detail
- EC3070-0 - Settlement Summary Original View.

In addition, NECA mails a copy of these reports to all exchange carriers.

#### **2.6.1.1**

##### **Settlement Summary**

The EC3070-0 is the exchange carrier settlement statement. It displays the computation of the current months settlement using DME data and the combined effects of adjustments. In addition, it shows Long Term Support amounts as well as distributions from USF and Lifeline Assistance funds.

#### **2.6.2**

##### **Post Settlement Analysis**

NECA Regional Offices also conduct post-settlement analysis to track pool movement and to identify exchange carriers that have not trued-up their data.



### 2.6.3

#### Cash Flow from the Exchange Carrier

Exchange carriers that owe amounts to the pool will be billed via an invoice mailed by NECA on the 6th workday of the month. To remit payments in amounts of \$50,000 or more, exchange carriers must:

- use electronic funds transfer as a Wire Transfer, Automatic Clearing House (*ACH*) payment or Corporate Trade Payment (*CTP*)
- notify NECA's Assistant Treasurer Cash Management/Banking Relations at (201) 884-8199 before making payments
- send electronic funds transfers to NECA's account #199-9830, bank routing number 043000261 at Mellon Bank, Pittsburgh, PA
- include company name, company code, invoice number and amount in the reference field of the wire, ACH or CTP.

To make payments less than \$50,000 exchange carriers can:

- mail a check to arrive at NECA's designated lock box no later than the 4th from last workday of the month that follows the data month
- write the company code on the face of the check
- enclose the duplicate (yellow) copy of the invoice
- use the return envelope provided by NECA.

NECA's lock box address is: **NECA**  
P.O. Box 371245  
Pittsburgh, PA 15251-7245

Companies making payments of less than \$50,000 can also use electronic funds transfers.

### 2.6.4

#### Cash Flow to the Exchange Carrier

Settlement cash flow occurs in the month that follows the data month. Exchange carriers that have payment due them receive their cash flows via electronic funds transfer. If electronic funds transfer is not feasible, payment is made by check mailed two business days in advance of the due date (*for due dates see Exhibit 2.2*).

## **2.6.5**

### **Late Payment Penalties**

To offset the borrowing costs incurred by late payments, NECA assesses late payment charges to exchange carriers for delinquent payment. The late payment factor will be the average interest rate (*in decimal value*) which NECA incurred for borrowing to cover the delinquent period. This is applied to the number of days from the payment due date up to and including the date NECA received payment.

**Exhibit 2.1**

**EDITING CONTROLS - EC1070-E for DME and pending values of prior months**

Definition: Editing pass/fail controls are designed to identify UNACCEPTABLE input ERRORS

**LINE CONTROLS BY POOL CL DATA EDIT STANDARD**

- |      |                             |  |
|------|-----------------------------|--|
| 1.   | ACCESS MINUTES              | Must be greater than 0   |
| 2.   | ACCESS LINES IN SVC.        | Must be greater than 0 and must be less than line 1              |
| 3.   | CCL PREMIUM EARNED REV.     | Must be greater than 0   |
| 4.   | CCL NON-PREMIUM EARNED REV. | Must be 0 or greater than 0                                      |
| 5.   | CCL SP. ACCESS SURCHARGE    | Must be 0 or greater than 0                                      |
| 6.   | CCL NET REALIZED UNCOL.     | Must be equal to or less than Lines 3+4+5                        |
| 7.*  | CCL NET EARNED REV.         | Must equal Lines 3+4+5-6   |
| 8.   | EU EARNED REV.              | Must be greater than 0   |
| 9.   | EU NET REALIZED UNCOL.      | Must be equal to or less than Line 8                             |
| 10.* | EU NET EARNED REV.          | Must equal Line 8 minus Line 9                                   |
| 11.  | CL OTHER                    | Must be numeric; if value other than 0, must have data comments. |

**TS DATA-SW ACCESS**

- |      |                        |                                       |
|------|------------------------|---------------------------------------|
| 12.  | SW ACCESS MINUTES      | Must be greater than 0                |
| 13.  | SW EARNED REV.         | Must be greater than 0                |
| 14.  | SW NET REALIZED UNCOL. | Must be equal to or less than Line 13 |
| 15.* | SW NET EARNED REV.     | Must equal Line 13 minus Line 14      |

**\* System Generated**

**Exhibit 2.1 (cont'd)**

**TS DATA-SP ACCESS**

- |      |                        |   |
|------|------------------------|---|
| 16.  | SP EARNED REV.         | Must be 0 or greater than 0   |
| 17.  | SP NET REALIZED UNCOL. | Must be equal to or less than Line 16                               |
| 18.* | SP NET EARNED REV.     | Must equal Line 16 minus Line 17                                    |
| 19.  | TS OTHER               | Must be numeric; if value other than 0,<br>must have data comments. |

**LIFELINE ASSISTANCE**

- |     |                     |                             |
|-----|---------------------|-----------------------------|
| 20. | LIFELINE CONNECTION | Must be 0 or greater than 0 |
| 21. | END USER SLC WAIVER | Must be 0 or greater than 0 |

DATA COMMENTS	Must have Data Comments on all RA Transactions
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Comment Block

<b>DATA COMMENTS:</b>

PREPARED BY/ CERTIFIED BY	Must have an entry for all transactions
---------------------------	---

Prepared by/Certified by Block

PREPARED BY: _____	DATE: MM/DD/YY	TEL: ( ) _____
CERTIFIED BY: _____	DATE: MM/DD/YY	TEL: ( ) _____

PREPARED BY/CERTIFIED BY	Must have an entry
--------------------------	--------------------

DATE Must be valid date; and must be current  
date or less than current date

TELEPHONE	Must be numeric
* System Generated	

**Exhibit 2.2**

**INCENTIVE COMPANY  
NECA SETTLEMENT SCHEDULE**

<b>DATA MONTH</b>	Pooling Input	Mailed	Data Term.	Settlement	Settlement Cash Flow	
	May Begin As Early as 3rd Workday of the Data Month*	Pooling In- put Due To NECA Reg. Office on 9th Last Workday of the Data Month*	Pooling In- put Due to NECA Hqtr On 7th Last Workday of the Data Month*	Statements From NECA On 3rd Work- day of Follow- ing Month*	To NECA By	From NECA By

**1995**

Jul.	Jul.	Jul.	Jul.	Aug.	Aug.	Aug.
Aug.	Aug.	Aug.	Aug.	Sep.	Sep.	Sep.
Sep.	Sep.	Sep.	Sep.	Oct.	Oct.	Oct.
Oct.	Oct.	Oct.	Oct.	Nov.	Nov.	Nov.
Nov.	Nov.	Nov.	Nov.	Dec.	Dec.	Dec.
Dec.	Dec.	Dec.	Dec.	Jan.	Jan.	Jan.

**1996**

Jan.	Jan.	Jan.	Jan.	Feb.	Feb.	Feb.
Feb.	Feb.	Feb.	Feb.	Mar.	Mar.	Mar.
Mar.	Mar.	Mar.	Mar.	Apr.	Apr.	Apr.
Apr.	Apr.	Apr.	Apr.	May	May	May
May	May	May	May	Jun.	Jun.	Jun.
Jun.	Jun.	Jun.	Jun.	Jul.	Jul.	Jul.
Jul.	Jul.	Jul.	Jul.	Aug.	Aug.	Aug.
Aug.	Aug.	Aug.	Aug.	Sep.	Sep.	Sep.
Sep.	Sep.	Sep.	Sep.	Oct.	Oct.	Oct.
Oct.	Oct.	Oct.	Oct.	Nov.	Nov.	Nov.
Nov.	Nov.	Nov.	Nov.	Dec.	Dec.	Dec.
Dec.	Dec.	Dec.	Dec.	Jan.	Jan.	Jan.

\*NOTE: *Dates based on NECA workdays*

\_\_\_ *Subsequent year*

## **SECTION 3**

### **Data Entry, Reporting Procedures and Requirements**

This section contains procedures on data reporting that apply to both the common line and traffic sensitive pools. The specific areas covered are types of data entry, data adjustment time frames and procedures for adjustment reporting.

#### **Reporting Data to NECA**

- Reviews and Data Verification

#### **Data Input Table**

- Data Entry Types
- Input Time Frames
- Requirements

#### **Reporting Procedures**

- Advance Notification Requirements for Significant Adjustments
- Minor Adjustment Reporting
- Spread Adjustment Reporting
- Cost Study Documentation
- Monthly Settlements Certification Requirements
- Notification Requirements for Mergers and Acquisitions
- Notification Requirements for Tax Status Changes
- Non-Compliance

#### **Exhibits**

- EC1070-I Exchange Carrier Input Form
- Instructions for EC1070-I Monthly Input
- EC1070 Optional Worksheet for Adjustments
- Instructions for Optional Worksheet for Data Month or Retroactive Adjustments
- Instructions for Optional Worksheet to Compute Spread Adjustments

## **Reporting Procedures**

### **3.0**

#### **Reporting Data to NECA**

Incentive companies input pooling data to the NECA settlement system from the third workday of the month to the seventh from last workday of the month. ECs may mail their input to the NECA Regional Office prior to the ninth from last workday of the month. Section 7 lists the mailing addresses for each NECA Region.

Exchanges carriers complete an EC1070-I input form to report current data month estimates. In addition, exchange carriers may complete additional EC1070-I forms for each month in which they are reporting data month adjustments or retroactive adjustments.

#### **3.0.1**

##### **Reviews and Data Verification**

The pooling process and all information submitted by pool participants is subject to examination by NECA to the extent necessary to verify the accuracy and reasonableness of the revenues underlying the compensation amounts. All participants must maintain backup data sufficient to verify data accuracy.

### **3.1**

#### **Types of Data Input to the EC1070-I**

The following table summarizes data entry types, time frames and requirements. More detailed information on reporting data adjustments and reporting procedures follows.

Entry Type	Data Type	When Input	Requirements
Data Month Estimate (DME)	Estimated revenues and demand data, for the month	Current Month	EC must adjust demand data and revenue estimates to reflect booked values within 2 months. If EC is reporting actual revenues, submitter must fill in comments line of IC1070-I.
DME - Option	Default data used for settlements	Current Month	EC forecast or default data is input by NECA if exchange carrier does not enter a DME.
Data Month Adjustment (DMA)	Difference between a prior DME and the most recent estimated or actual data	Within 2 months of DME	<p>DMA's are required to be submitted with 2 months of DME for demand and access revenue data. Items include:</p> <ul style="list-style-type: none"><li>● Access Minutes</li><li>● Access Lines in Service</li><li>● Carrier Common Line Revenues</li><li>● End User Revenues</li><li>● Traffic Sensitive Switched Access Revenues</li><li>● Traffic Sensitive Special Access Revenues</li><li>● End User SLC Waiver</li><li>● Lifeline Connection Assistance.</li></ul> <p>Submitter must indicate on the data comments line the reason for the adjustment; for example, "Revenue True-Up to Actuals"</p>



Entry Type	Data Type	When Input	Requirements
Retroactive Adjustment (RA)	Difference between previously reported data and revised actual data	Within 4 to 24 months of DME	<p>RAs are necessary whenever a change to data is indicated. Adjustments are needed to:</p> <ul style="list-style-type: none"><li>● change incorrectly reported data as errors are discovered.</li><li>● enter changes in revenue or demand data.</li><li>● comply with retroactive changes in settlements or separations procedures.</li></ul> <p>Submitter must indicate on the data comments line the reason for the adjustment; for example, "Revenue True-Up."</p>

Entry Type	Data Type	When Input	Requirements
Minor Adjustment Option	Entered as adjustments to make cumulative changes to data for a maximum of 24 prior months	Within 4 to 24 months of DME	May be incorporated into a single RA as long as the cumulative change does not exceed the thresholds mentioned under minor adjustment reporting. Submitter must indicate on data comments line that a minor adjustment is being made.
Spread Adjustment Option ( <i>SPR</i> )	Entered as adjustments to update 2 to 12 consecutive prior months	From system open until ninth last workday of current month	May be used to update 2 to 12 consecutive data months excluding the DME month.  Submitter may not input an individual DMA or RA for months included in the spread adjustment.  Submitter must fill in the data comments section to indicate a spread adjustment is being used.  Pool participation must be the same for all months adjusted.  EC must settle as an incentive company for all months adjusted.

## 3.2

### Reporting Procedures

#### 3.2.1

##### Advance Notification Requirement

NECA monitors the pool to ensure that submitted data is as accurate as possible. Very large adjustments can significantly affect all pool members. When adjustments are submitted which exceed the following thresholds, exchange carriers must notify their NECA Regional Offices no later than the 10th workday of the month in which the adjustment will be reported. This will allow enough time to review the change with the EC to avoid the risk of inaccurate data affecting pool members.

**FAILURE TO MEET THE ADVANCE NOTIFICATION REQUIREMENTS, CAN RESULT IN NECA NOT PROCESSING THE ADJUSTMENT IN THE MONTH SUBMITTED.**

Pool Thresholds (+ or -) per Line Item/Month

<u>EC1070 Line Items</u>	<u>Common Line</u>	<u>Switched or Special Traffic Sensitive</u>
Revenues, Uncollectibles	\$50,000	\$50,000

#### 3.2.2

##### Minor Adjustment Reporting

The minor adjustment option is intended to ease administrative efforts when adjustment amounts do not materially affect pool results. Minor adjustments allow changes applicable to 24 prior months to be incorporated into a single RA as long as cumulative changes do not exceed the following thresholds:

Minor Adjustment Thresholds (+ or -) per Line Item/Month

<u>EC1070 Line Items</u>	<u>Common Line</u>	<u>Switched or Special Traffic Sensitive</u>
Revenues, Uncollectibles	\$1,500	\$1,500

### 3.2.3

#### **Spread Adjustment Reporting**

The spread adjustment option allows companies to input a series of DMAs/RAs for a specific series of months. It can be used to report the difference between actual data and what had previously been reported to the pool. The difference computed will then be spread to the number of months selected in the from/through range.

### 3.2.4

#### **Cost Study Documentation**

See Section 6 Cost Study Documentation.

### 3.2.5

#### **Monthly Settlements Certification Requirements**

Pursuant to Section 69.601 of the FCC Rules, Exchange Carriers are required to certify settlements data (EC1070) submitted to NECA. Effective June 1995, an officer or employee responsible for the preparation of monthly settlement data, and authorized to execute the certification, is required to certify the settlement data submitted to NECA. By certifying the data, the officer or employee indicates that all information submitted to NECA during a given settlement month and applicable to any settlement month, is complete, accurate, and consistent with FCC rules.

If your Data Month Estimate (DME) is a defaulted amount calculated by NECA, and no other data is reported for that given month, certification (Exhibit 3.6) would not be required. However, when these amounts are trued-up and any time data is reported to NECA, monthly certification (Exhibits 3.1 and 3.6) is required.

Exchange carriers must comply with FCC Rules, Section 69.601 as follows:

1. "Certified By" Statement on the EC1070-I Form (*See Exhibit 3.1*)

An officer or employee responsible for the preparation of monthly settlement data, and authorized to execute the certification, is required to certify the data submitted to NECA at the bottom of the EC1070-I form. If the data is submitted to NECA on-line through the Settlement System, the certifying officer or employee's name must be entered on the "Certified By" field. The same officer or employee certifying the EC1070-I data for a given settlement month is required to also sign Exhibit 3.6 for that month. If the data is submitted to NECA on paper (i.e., by mail, fax, or any other means), the certifying officer or employee must sign the form after the words "Certified By".

In cases where someone other than an Exchange Carrier employee submits settlement data to NECA, the name of the officer or employee authorized to execute the certification is required to appear on the "Certified By" field. A consultant or other party external to the EC cannot certify the EC1070-I data.

## **Monthly Settlements Certification Requirements (*Cont'd*)**

### **2. Monthly Settlements Certification Form (*See Exhibit 3.6*)**

In addition, the officer or employee authorized to execute the certification, is also required to fill out and retain the Monthly Settlements Certification Form (Exhibit 3.6) at the close of each settlement cycle. The same officer or employee certifying the EC1070-I data for a given settlement month is required to also sign Exhibit 3.6 for that month. The completed original form must be submitted to your NECA Regional Office by February 1 following the calendar year being certified.

NECA and/or FCC staff may request to review this certification form (Exhibit 3.6) at any time during the year. FCC Rules state that persons making willful false statements can be punished by fine or imprisonment under the provisions of the U.S. Code, Title 18, Section 1001.

### **3.2.6**

#### **Notification Requirements for Mergers and Acquisitions**

Exchange carriers must notify their NECA Regional Officers of mergers, acquisitions, major asset sales and corporate name changes. In addition, they are required to provide documentation to support the change. NECA will recognize mergers, acquisitions and major asset sales on a going-forward basis and will reflect transactions within 30 days following receipt of adequate documentation.

To assure settlement continuity, companies must also indicate whether the buyer, seller or surviving corporate entity will be responsible for retroactive adjustments to settlement data for the 24-month period prior to the transaction's effective date.

### **3.2.7**

#### **Notification Requirements for Tax Status Change**

Exchange carriers must notify their NECA Regional Offices of tax status changes. In addition, they are required to provide documentation to support the change. NECA will recognize tax status changes on a going-forward basis for the next two-year settlement period.

### 3.2.8

#### **Non-Compliance**

An exchange carrier is in non-compliance with pooling procedures if adjustments to a Data Month Estimate for the following revenue and demand items are not submitted within 2 months of the DME and there is no documentation that an adjustment is not required. The items are:

- access minutes
- access lines in service
- carrier common line revenues
- end user revenues
- traffic sensitive switched access revenues

End User SLC Waiver and Lifeline Connection Assistance will be tested for Compliance with pool procedures in the March and September settlement cycles, coinciding with the semiannual LA/PSL Data Collection.

Additionally, the Expense and Investment items listed below will be tested for non-compliance based upon an exchange carrier's cost study period .

- Common Line Expense & Taxes
- CL Average Net Investment
- TS SW Expense & Taxes
- TS SW Average Net Investment

**Exhibit 3.1**

NECA SETTLEMENTS

EC1070 EXCHANGE CARRIER INPUT FORM

EC1070-I  
05-95

ENTERED IN SYSTEM: \_\_\_\_\_  
APPLIES TO: \_\_\_\_\_ or FROM: \_\_\_\_\_ THRU: \_\_\_\_\_  
DATA TYPE: ☐DME ☐RA  
☐DMA ☐SPR

COMPANY: \_\_\_\_\_  
STUDY AREA: \_\_\_\_\_

**COMMON LINE**

**AMOUNT**

1. Access Minutes	1. _____
2. Access Lines in Service	2. _____
3. CCL Premium Earned Revenue	3. _____
4. CCL Non-Premium Earned Revenue	4. _____
5. CCL Special Access Surcharge	5. _____
6. CCL Net Realized Uncollectibles	6. _____
7. CCL Net Earned Revenue (3+4+5-6)	7. _____
8. EU Earned Revenue	8. _____
9. EU Net Realized Uncollectibles	9. _____
10. EU Net Earned Revenue (8-9)	10. _____
11. CL Other	11. _____

**TRAFFIC SENSITIVE**

12. SW Access Minutes	12. _____
13. SW Earned Revenue	13. _____
14. SW Net Realized Uncollectibles	14. _____
15. SW Net Earned Revenue (13-14)	15. _____
16. SP Earned Revenue	16. _____
17. SP Net Realized Uncollectibles	17. _____
18. SP Net Earned Revenue (16-17)	18. _____
19. TS Other	19. _____

**LIFELINE ASSISTANCE**

20. Lifeline Connection	20. _____
21. EU SLC Waiver	21. _____

COMMENTS \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PREPARED BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_ TEL: ( ) \_\_\_\_\_  
\*CERTIFIED BY: \_\_\_\_\_ DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_ TEL: ( ) \_\_\_\_\_

\* Pursuant to FCC Rules, Section 69.601, ECs are required to certify EC1070 data.

**Exhibit 3.2**

**Instructions for EC1070-I Monthly Input**

**PURPOSE**

The EC1070-I is a source document for all entries to the NECA Settlement System. You may transmit this form via a dial-up data terminal or by mailing it to your NECA Regional Office.

**HEADING**

**Entered in System**

Enter month and year to which the data applies. Use this heading for DME, DMA or RA.

**Applies From/Through**

Enter months and year to which the data applies. Use this for SPR.

**Data Type**

Enter DME, DMA, RA or SPR depending on data type.

**CO**

Enter exchange carrier name.

**SA**

Enter six digit study area code assigned by NECA.

**To enter DME Data on Lines 1 through 21**

Entries on these lines should reflect **total** amounts for each item. See exchange carrier input guide (*Sections 4 and 5*) to complete.

**To enter adjustments (DMA, RA or SPR) on lines 1 through 21**

Entries on these lines should reflect the difference between prior and current inputs. To compute adjustments, subtract current settlement data from revised data.

**Data Comments**

Use data comments to explain:

- obvious data fluctuations
- reason for retroactive and spread adjustments.

**Prepared By**

Use this field to identify the person who entered the data on the EC1070-I form.

**Certified By**

Use this field to certify all settlement data submitted to NECA on the EC1070-I form. Pursuant to FCC Rules, Section 69.601, an Exchange Carrier officer or employee responsible for the preparation of monthly settlement data, and authorized to execute the certification, is required to certify the settlement data submitted to NECA.



**Exhibit 3.3**

**\* EC1070 WORKSHEET**  
**OPTIONAL WORKSHEET FOR ADJUSTMENTS**

DATA TYPE: \_\_\_\_\_ =Data Month Adj.,MM/YY \_\_\_\_\_ or  
\_\_\_\_\_ =Retroactive Adj.,MM/YY \_\_\_\_\_ or  
\_\_\_\_\_ =Spread Adj. Opt.,MM/YY From \_\_\_\_\_ Thru \_\_\_\_\_

MONTH/YEAR: \_\_\_\_\_  
COMPANY: \_\_\_\_\_  
STUDY AREA: \_\_\_\_\_

COMMON LINE	REVISED DATA (A)	LATEST VIEW SETTLEMENT DATA (B)	ADJUSTMENT* (C)=(A-B)
1. Access Minutes	_____	_____	_____
2. Access Lines in Service	_____	_____	_____
3. CCL Premium Earned Revenue	_____	_____	_____
4. CCL Non-Premium Earned Rev.	_____	_____	_____
5. CCL Special Access Surcharge	_____	_____	_____
6. CCL Net Realized Uncollectibles	_____	_____	_____
7. CCL Net Earned Revenue (3+4+5-6)	_____	_____	_____
8. EU Earned Revenue	_____	_____	_____
9. EU Net Realized Uncollectibles	_____	_____	_____
10. EU Net Earned Revenue (8-9)	_____	_____	_____
11. CL Other	_____	_____	_____
<b>TRAFFIC SENSITIVE</b>			
12. Access Minutes	_____	_____	_____
13. SW Earned Revenue	_____	_____	_____
14. SW Net Realized Uncollectibles	_____	_____	_____
15. SW Net Earned Revenue (13-14)	_____	_____	_____
16. SP Earned Revenue	_____	_____	_____
17. SP Net Realized Uncollectibles	_____	_____	_____
18. SP Net Earned Revenue (16-17)	_____	_____	_____
19. TS Other	_____	_____	_____
<b>LIFELINE ASSISTANCE</b>			
20. Lifeline Connection	_____	_____	_____
21. EU SLC Waiver	_____	_____	_____

**COMMENTS**

*\* Report Adjustment Amount Difference on Form EC1070-I as either a Data Month Adjustment (DMA), a Retroactive Adjustment (RA) or Spread Adjustment (SPR) as appropriate.*